

Correction to 2003 Schedule ND-1FA:

Calculation of tax under 3-year averaging method for elected farm income

There is an error in the 2003 Schedule ND-1FA, Calculation of tax under 3-year averaging method for elected farm income. In the instruction to line 5 on the face of the schedule, there is an incorrect line reference. The following shows where the error appears on the form and the correction made to it—

Error: On the face of the 2003 Schedule ND-1FA, the second sentence on line 5 reads as follows:

If you used Schedule ND-1FA to calculate your tax for 2002, enter amount from 2002 Schedule ND-1FA, line 5.

Correction: The second sentence should read as follows:

If you used Schedule ND-1FA to calculate your tax for 2002, enter amount from 2002 Schedule ND-1FA, line 11.

Important note: This error affects the calculation of the tax on the 2003 Schedule ND-1FA **only if** a Schedule ND-1FA was used to calculate the tax for the **2002 tax year**. Therefore, if Schedule ND-1FA was not used to calculate the tax for the 2002 tax year, this error will not have any effect on the tax calculation for the 2003 and subsequent tax years.

If Schedule ND-1FA is used to calculate the tax for 2002 and 2003, and a taxpayer has already filed a 2003 North Dakota Form ND-1 using the incorrect version of Schedule ND-1FA, an amended return must be filed for the 2003 tax year using the corrected Schedule ND-1FA.

Questions may be directed to—

Individual Income Tax Section

Phone: 701-328-1032

If hearing or speech impaired, call us through Relay ND at 1-800-366-6888)

E-mail: individualtax@state.nd.us

**ND-1FA****Calculation of tax under 3-year averaging
method for elected farm income****2003****Attach to Form ND-1****Please type or print in black or blue ink. Enter one letter or number in each box.**

Your name as shown on Form ND-1

Your social security number

► See instructions to this schedule to see if you are eligible to use it**US Dollars**

- 1.** North Dakota taxable income from Form ND-1, line 14 **1**
- 2.** Elected farm income from your 2003 Schedule J (Form 1040), line 2. If this amount includes a net long-term capital gain, see instructions to this schedule for amount to enter on this line. **Do not enter more than the amount on line 1** **2**
- 3.** Subtract line 2 from line 1 **3**
- 4.** Tax on the amount on line 3 from Tax Table on page 18 of 2003 Form ND-1 instructions **4**
- 5.** If you used Form 37-S for 2000, skip lines 5 through 7, and enter zero on line 8.
If you used Schedule ND-1FA to calculate your tax for 2002, enter amount from 2002 Schedule ND-1FA, line 5. If you used Schedule ND-1FA for 2001 but not 2002, enter amount from 2001 Schedule ND-1FA, Part 2, line 5, **2000 tax year** column. Otherwise, *If line 5 is zero or less, see instructions.*
enter amount from 2000 Form 37, Tax Computation Schedule, line 1 **5**
- 6.** Divide the amount on **line 2** by **3.0** **6**
- 7.** Add lines 5 and 6. *If less than zero, enter zero* **7**
- 8.** Tax on the amount on line 7 using the **Form 37 and Form ND-2 Tax Rate Table** in the instructions **8**
- 9.** If you used Schedule ND-1FA to calculate your tax for 2002, enter amount from 2002 Schedule ND-1FA, line 15.
If you used Schedule ND-1FA for 2001 but not 2002, enter amount from 2001 Schedule ND-1FA, line 3. Otherwise, *If line 9 is zero or less, see instructions.*
enter amount from 2001 Form ND-1, line 13, or from 2001 Form ND-2, Tax Computation Schedule, line 1, whichever applies **9**
- 10.** Divide the amount on **line 2** by **3.0** **10**
- 11.** Add lines 9 and 10. *If less than zero, enter negative number* **11**
- 12.** If you used Form ND-1 for 2001, enter tax on the amount on line 11 using the **2001 Form ND-1 Tax Rate Schedules** in the instructions. If you used Form ND-2 for 2001, enter tax on the amount on line 11 using the **Form 37 and Form ND-2 Tax Rate Table** in the instructions **12**
- 13.** If you used Schedule ND-1FA to calculate your tax for 2002, enter amount from 2002 Schedule ND-1FA, line 3.
Otherwise, enter amount from 2002 Form ND-1, line 13, *If line 13 is zero or less, see instructions.*
or from 2002 Form ND-2, Tax Computation Schedule, line 1, whichever applies **13**
- 14.** Divide the amount on **line 2** by **3.0** **14**
- 15.** Add lines 13 and 14. *If less than zero, enter negative number* --- **15**
- 16.** If you used Form ND-1 for 2002, enter tax on the amount on line 15 using the **2002 Form ND-1 Tax Rate Schedules** in the instructions. If you used Form ND-2 for 2002, enter tax on the amount on line 15 using the **Form 37 and Form ND-2 Tax Rate Table** in the instructions **16**
- 17.** Add lines 4, 8, 12 and 16. **Enter this amount on page 2, line 18** **17**



18. Enter the amount from page 1, line 17 ----- **18**

19. If you used Form 37-S (Short Form) for 2000, enter zero.

If you used Form 37 (Long Form) for 2000 **and** you used Schedule ND-1FA to calculate your tax for 2002, enter the tax from the 2002 Schedule ND-1FA, line 12. If you used Schedule ND-1FA for 2001 but not 2002, enter amount from 2001 Schedule ND-1FA, Part 2, line 6, **2000 tax year** column. Otherwise, enter the tax from your 2000 Form 37, Tax Computation Schedule, line 2 ----- **19**

20. If you used Schedule ND-1FA to calculate your tax for 2002, enter amount from 2002 Schedule ND-1FA, line 16. If you used Schedule ND-1FA for 2001 but not 2002, enter amount from 2001 Schedule ND-1FA, line 4. Otherwise, enter amount from 2001 Form ND-1, line 14, or from 2001 Form ND-2, Tax Computation Schedule, line 2, whichever applies. ----- **20**

21. If you used Schedule ND-1FA to calculate your tax for 2002, enter amount from 2002 Schedule ND-1FA, line 4. Otherwise, enter amount from 2002 Form ND-1, line 14, or from 2002 Form ND-2, Tax Computation Schedule, line 2, whichever applies ----- **21**

22. Add lines 19, 20, and 21 ----- **22**

23. Subtract line 22 from line 18 ----- **23**

► **If you used Form 37-S (Short Form) for 2000, complete lines 24 and 25. Otherwise, skip lines 24 and 25, and go to line 26.**

24. If you used Form 37-S (Short Form) for 2000, enter the amount from the 2003 Schedule J (Form 1040), line 8 less line 18. Otherwise, enter zero ----- **24**

25. Multiply line 24 by 14% (.14) ----- **25**

26. Add lines 23 and 25. If you are a **full-year resident**, enter the amount from this line on Form ND-1, line 15. If you are a **full-year nonresident** or **part-year resident**, enter the amount from this line on Schedule ND-1NR, line 21 ----- **26**

► **Caution:** If you are a full-year resident, the tax on line 26 may be higher than the tax calculated on all of your income (including your farm income) using the regular method. Attach this schedule to your Form ND-1 **only if** you are electing to pay the tax calculated on it.

If you are a full-year nonresident or a part-year resident, you must enter the amount from line 26 of this schedule on Schedule ND-1NR, line 21. Then, complete the remainder of Schedule ND-1NR to determine your actual North Dakota income tax. The tax based on the use of Schedule ND-1FA may be higher than the tax calculated using the regular method. Attach this schedule to your Form ND-1 **only if** you are electing to pay the tax calculated on Schedule ND-1NR resulting from the use of Schedule ND-1FA.

General instructions

Eligibility

You are eligible to use Schedule ND-1FA to calculate your tax for 2003 if you used Schedule J (Form 1040) to calculate your 2003 federal income tax.

The use of Schedule ND-1FA is elective. You do not have to use it even though you used Schedule J (Form 1040) to calculate your federal income tax for 2003.

IMPORTANT: It is possible for the tax calculated using Schedule ND-1FA to be higher than the tax calculated on all of your income using the regular method (without Schedule ND-1FA). Complete and attach Schedule ND-1FA to your Form ND-1 *only if* you are electing to pay the tax that results from using Schedule ND-1FA.

Elected farm income

Your elected farm income for North Dakota purposes is equal to your elected farm income for federal income tax purposes as reported on your 2003 Schedule J (Form 1040). However, this amount must be reduced by the portion of a North Dakota net long-term capital gain exclusion that is attributable to a net long-term capital gain included in your elected farm income for federal income tax purposes.

Copies of 2000, 2001, and 2002 returns

You will need copies of your 2000, 2001, and 2002 North Dakota income tax returns to complete the 2003 Schedule ND-1FA. If you do not have a copy of any of these returns, see the back cover of the 2003 Form ND-1 instruction booklet for information on how to obtain one.

If you filed an amended North Dakota income tax return, or if our office made changes to your North Dakota income tax return, for 2000, 2001, or 2002, you must use the corrected amounts when completing Schedule ND-1FA.

Negative North Dakota taxable income

For purposes of completing lines 5, 9, and 13 of the 2003 Schedule ND-1FA, your North Dakota taxable income may be a negative number. If you used Form 37 for 2000, or if you used Form ND-1 or Form ND-2 for 2001 or 2002, and your North Dakota taxable income for that tax year is mathematically less than zero, use the negative number for purposes of completing these lines.

Specific line instructions

Line 2

Enter your elected farm income from the 2003 Schedule J (Form 1040), line 2. However, if you claimed an exclusion on line 6 of your 2003 Form ND-1 attributable to a net long-term capital gain included in your federal elected farm income, subtract that portion of the exclusion from your federal elected farm income and enter the result on this line.

Form 37 and Form ND-2 Tax Rate Table

If you used Form 37 for the 2000 tax year, or if you used Form ND-2 for the 2001 or 2002 tax year, use this table to calculate the tax for that tax year.

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 3,000	2.67% of the revised taxable income	
3,000	5,000	\$ 80.10 + 4.00% of the amount over \$ 3,000	
5,000	8,000	160.10 + 5.33% of the amount over 5,000	
8,000	15,000	320.00 + 6.67% of the amount over 8,000	
15,000	25,000	786.90 + 8.00% of the amount over 15,000	
25,000	35,000	1,586.90 + 9.33% of the amount over 25,000	
35,000	50,000	2,519.90 + 10.67% of the amount over 35,000	
50,000		4,120.40 + 12.00% of the amount over 50,000	

2001 Form ND-1 Tax Rate Schedules

If you used Form ND-1 for the 2001 tax year, use these tax rate schedules to calculate the tax to enter on line 12. Use the schedule that corresponds to your filing status for the 2001 tax year.

Single

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 27,050	2.1% of the revised taxable income	
27,050	65,550	\$ 568.05 + 3.92% of amount over \$ 27,050	
65,550	136,750	2,077.25 + 4.34% of amount over 65,550	
136,750	297,350	5,167.33 + 5.04% of amount over 136,750	
297,350		13,261.57 + 5.54% of amount over 297,350	

Married filing jointly and Qualifying widow(er)

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 45,200	2.1% of the revised taxable income	
45,200	109,250	\$ 949.20 + 3.92% of amount over \$ 45,200	
109,250	166,500	3,459.96 + 4.34% of amount over 109,250	
166,500	297,350	5,944.61 + 5.04% of amount over 166,500	
297,350		12,539.45 + 5.54% of amount over 297,350	

Married filing separately

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 22,600	2.1% of the revised taxable income	
22,600	54,625	\$ 474.60 + 3.92% of amount over \$ 22,600	
54,625	83,250	1,729.98 + 4.34% of amount over 54,625	
83,250	148,675	2,972.31 + 5.04% of amount over 83,250	
148,675		6,269.73 + 5.54% of amount over 148,675	

Head of Household

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 36,250	2.1% of the revised taxable income	
36,250	93,650	\$ 761.25 + 3.92% of amount over \$ 36,250	
93,650	151,650	3,011.33 + 4.34% of amount over 93,650	
151,650	297,350	5,528.53 + 5.04% of amount over 151,650	
297,350		12,871.81 + 5.54% of amount over 297,350	

2002 Form ND-1 Tax Rate Schedules

If you used Form ND-1 for the 2002 tax year, use these tax rate schedules to calculate the tax to enter on line 16. Use the schedule that corresponds to your filing status for the 2002 tax year.

Single

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 27,950	2.1% of the revised taxable income	
27,950	67,700	\$ 586.95 + 3.92% of amount over \$ 27,950	
67,700	141,250	2,145.15 + 4.34% of amount over 67,700	
141,250	307,050	5,337.22 + 5.04% of amount over 141,250	
307,050		13,693.54 + 5.54% of amount over 307,050	

Married filing jointly and Qualifying widow(er)

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 46,700	2.1% of the revised taxable income	
46,700	112,850	\$ 980.70 + 3.92% of amount over \$ 46,700	
112,850	171,950	3,573.78 + 4.34% of amount over 112,850	
171,950	307,050	6,138.72 + 5.04% of amount over 171,950	
307,050		12,947.76 + 5.54% of amount over 307,050	

Married filing separately

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 23,350	2.1% of the revised taxable income	
23,350	56,425	\$ 490.35 + 3.92% of amount over \$ 23,350	
56,425	85,975	1,786.89 + 4.34% of amount over 56,425	
85,975	153,525	3,069.36 + 5.04% of amount over 85,975	
153,525		6,473.88 + 5.54% of amount over 153,525	

Head of Household

If revised taxable income for tax year is:		The revised tax is equal to:	
Over	But not over		
\$ 0	\$ 37,450	2.1% of the revised taxable income	
37,450	96,700	\$ 786.45 + 3.92% of amount over \$ 37,450	
96,700	156,600	3,109.05 + 4.34% of amount over 96,700	
156,600	307,050	5,708.71 + 5.04% of amount over 156,600	
307,050		13,291.39 + 5.54% of amount over 307,050	